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TRW RECALL: What In The World Happened

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To help fleetmen survive in the coming decade, CCJ will publish a special March issue dedicated to "Trucking in the 1990s." Based on hundreds of interviews and extensive research, "Trucking in the 1990s" will offer projections on:

- *The Business Outlook* will include economic forecasts, intermodal trends and the U.S. stake in a unified Europe.
- *Governing Factors* will cover funding road programs, automated highways, the "Decade of Uniformity" and an expert's tax outlook.
- *Equipment Considerations* will forecast how engines will meet emissions standards, technology that will enhance low-cost operation and high productivity, plus materials and components that will dominate the trailer market. □

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HCX SCALPEL
CUTS WORKERS COMP COSTS

Workers' compensation costs are spiraling upward in part because of increasing medical costs. St. Johnsbury Trucking Co. has joined two other major carriers and several other transportation firms in a new medical monitoring system with a track record of reducing medical costs and getting workers back on the job quicker.

By **JAMES PIERPOINT**
Senior Editor

Bill Milaschewski has discovered a program that cut St. Johnsbury Trucking Co.'s workers' compensation costs and helped injured workers return to work faster. At a time when spiraling health care costs inflate workers' compensation premiums, the program has reduced the carrier's compensation-related expenses 15% and cut the number of work days lost due to injuries by 17%. At the same time, St. Johnsbury has improved the quality of medical care provided for its injured workers.

The program is run by Health Care Excellence (HCX) of Washington, D.C. In addition to St. Johnsbury, its clients have included Leaseway, the U.S. Postal Service, several major railroads, a transit authority and a major utility.

All of these companies face higher rates of injured workers typical of transportation firms. And all are providing quality health care for their injured workers while reducing compensation-related costs and work days lost because of injuries.

"We were somewhat skeptical" of the claims that HCX could lower costs while helping to improve patient care, said Milaschewski, St. Johnsbury's director of insurance. But Milaschewski lost that skepticism when compensation costs per 10,000 working hours fell from $759 in 1985 to $593 under the medical-monitoring program.

According to the National Safety Council (NSC), less than 2% of all workers are injured on the job annually, and the average injury causes the employee to miss about seven and a half days of work.

In the trucking industry, those numbers are dramatically higher. More than 17% of trucking company employees were injured in 1987, and the average worker spent more than 22 working days recuperating.

In fact, the trucking industry for the past two years posted the highest average number of injuries per firm of the 42 industries monitored by the NSC. In terms of injuries per hundred workers and days lost from work, trucking is more dangerous than railroading, mining, logging and construction.

"Health care expense [for injured workers] is a runaway freight train," according to Jack Dugan, HCX spokesman. Due to increasing medical costs, health care in the U.S. now accounts for 11% of the gross national product, equaling 2% of all payroll dollars. Workers' compensation costs have risen an average 16% annually since 1980, and last year cost American industry an estimated $35 billion.

Because of increasing costs, insurance companies are not able to cover their compensation expenses. In 1987, benefit payments exceeded premiums by more than $155 million in both California and Maine. Of 32 state programs administered by the National Council on Compensation Insurance, only Delaware insurers logged an un-

Continued

derwriting profit: $1.5 million on $80.3 million in premiums received during 1987.

While medical costs represent a major part of total workers' compensation expenses, another significant expenditure is incurred in lost productivity – working days lost as the injured worker recuperates.

"The cost to trucking companies is at least as much in lost time as in medical costs," Dugan said.

HCX helps reduce those costs by monitoring the medical treatment of injured workers. The system not only checks the accuracy of diagnoses, it also monitors the progress of the patient.

"Our whole focus is return to work and quality of care," HCX spokesman Dugan said.

HCX marketers had approached St. Johnsbury's then-parent-corporation, Sun Co., in 1985, hoping to initiate a pilot program with the diversified corporation. As Sun's largest trucking component and largest producer of workers' compensation claims, St. Johnsbury was selected for the program.

Through a "fronted" arrangement with a major insurer, the carrier essentially maintains self-insurance. While the insurer processes St. Johnsbury claims, the motor carrier reimburses the insurer's costs for the claim payments. Milaschewski doubted that a health-care system could improve his fleet's loss experience.

Despite misgivings, Milaschewski established a pilot program at St. Johnsbury's 10 largest terminals. The results painted a clear picture of the effectiveness of the HCX program. For workers in the 10 larger terminals, the number of days injured workers were off the job fell 15% in 1986, and the fleet's cost per injury dropped 17%.

Specifically, lost time fell from an average 25.7 days per injury to 21.9 days in 1986. And St. Johnsbury's costs per injury fell from an average $1,429 in 1985 to $1,188 the following year. These savings were produced while medical costs rose 25% generally, Milaschewski noted.

"We were looking for a way to maintain control over losses," he said. "But at the same time, we were looking for a way to manage injured workers." According to Milaschewski, the HCX program provided both.

One important factor in the health monitoring equation is the well-being of the injured employee. A major benefit of an HCX-type system is that the fleet can track the progress of an injured worker.

Several St. Johnsbury employees injured on the job have expressed their appreciation that someone is concerned about their recovery from a workplace injury.

"At St. Johnsbury, we try to treat injured workers with respect, assist with the medical care and get the employee back to work as soon as possible," Milaschewski said. In addition to the physical trauma, injured workers face a cut in pay and a disrupted lifestyle following an injury.

"The chips are down for the injured worker," Milaschewski said. "And you can't expect insurance companies to take care of your injured workers."

While St. Johnsbury runs essentially a self-insured operation, carriers opting for coverage through traditional insurance policies also can benefit from a patient-monitoring system, Milaschewski said.

Because retrospective rating systems used by insurers force premiums to rise or fall in response to expenses from previous years, carriers that reduce their compensation costs will benefit from stable, if not falling, premiums in later years, Milaschewski noted.

Besides, insurance companies are not capable of tracking the cost-effectiveness of medical care until after the bills come in. "Insurance companies analyze medical costs after the fact," Dugan said. By the time an insurer discovers that medical treatment was inappropriate or overly expensive, the treatment and costs already have been incurred.

IMPACTS OF MONITORING WORKERS' COMP CLAIMS

	Year Before Program	First Year in Program	Second Year in Program
ST. JOHNSBURY			
Days lost	25.7	21.9	23.6
Costs/claim	$1429	$1188	$1262
PEPCO			
Days lost	32.4	21.5	10.9
Costs/claim	$7464	$5048	$2959
USPS			
Days lost	22.1	14.5	N/A
Costs/claim	$1433	$1200	N/A
MID-ATLANTIC STATE			
Days lost	23.1	13.6	N/A
Costs/claim	$761 (est.)	$491 (est.)	N/A
WESTERN STATE			
Days lost	18.6	13.6	N/A
Costs/claim	$457	$237	N/A

SOURCE: Health Care Excellence (HCX)
NOTE: Lost time equals average lost work days in compensation cases. Costs per claim equals average medical and compensation costs.

St. Johnsbury isn't the only transportation company to cut costs and improve medical care through the HCX program. First implemented as a research project at the Potomac Electric Power Co. (PEPCO), Washington, D.C., the HCX process cut the number of working days lost to injuries by 89% at the utility. Average days lost per injured worker fell from 32.4 to 10.9.

The U.S. Postal Service also allowed HCX founder Dr. Henry Feffer to apply his process to compensation cases, and experienced similar improvements. The average days lost by an injured worker fell from 22.1 to 14.5 in one year.

"We had no idea we were saving anybody money until the chief financial officer at PEPCO told us we had saved the utility a million dollars," Dugan said. The PEPCO savings prompted Dr. Feffer to begin applying his academic research on a more practical level, and HCX was born.

Based in part on this research, Dr. Feffer developed a computerized system for monitoring an injured worker's symptoms, diagnosis, prescribed treatment and the patient's response. The process compares the patient's progress with the latest standards for medical treatment and recovery established by the medical community.

Dozens of orthopedic injuries, treatments and recovery profiles where broken down into "decision trees" based on the medical standards. Branches of each tree list a symptom and provide a series of possible treatments. Surgery is typically the final recourse after several other types of treatments have failed.

While the process helps forestall unneeded surgery, in some cases it has prompted physicians to keep injured workers off the job longer. During the postal service research, "in two cases we picked up problems missed by the treating physicians and kept the patients out of work longer than prescribed," Dr. Feffer said in a medical journal article on the program.

"This lent validity to our role as unbiased consultants," he said in the article.

In addition to monitoring patient care and the appropriateness of the medical care, the HCX process maintains a link between the injured employee and employer. St. Johnsbury's Milaschewski feels that link has helped employees cope with the strains of being injured and out of work.

"We work with the employee as well as the physician," HCX's Dugan said.

Five state workers' compensation funds rely on HCX to monitor care provided for injured workers. In one state, lost working days fell from 18.6 to 13.6. In another, aver-

Continued

Marketing medical monitoring methods

Algorithms, medical theory and diagnostic technology. The terms used by HCX executives indicate that the firm is rooted in academia. But their success indicates that HCX's branches may soon span well beyond the realm of the university.

HCX was founded in 1984 by Dr. Henry A. Feffer, a George Washington University professor emeritus and an orthopedic surgeon for the past 40 years. The 71-year-old's work week spans six days and includes 50 patient consultations.

Recent medical research has "blown holes in a lot of myths about medicine," HCX spokesman Jack Dugan said. For example, extended bed rest for back injuries does more harm than good by causing the patient to lose 6% of the bodies vital calcium. As a result, Feffer recommends that patients go for walks between periods of rest to keep their strength up.

In 1989, HCX will expand its program to include burns, lacerations and hernias. The additional focus will cover 90% of all workers' compensation injuries. The remaining 10% would include stress claims and environmental injuries.

The company is marketing its services to four groups concerned about workers' compensation costs. In addition to large, self-insured industrial firms such as trucking companies, the company provides its health-care monitoring service to several states, is marketing its program through insurance brokers and hopes to sell some services to the federal government.

With the types of injuries its employees suffer, the transportation industry is a natural market for the monitoring program. In addition to selling services directly to the largest carriers, the firm is considering plans to develop a consortium that would provide access to the program for smaller carriers.

During 1989, HCX hopes to add 15 firms to its rolls, increasing its pool of patients by 300% to 400%.

HCX 'rides herd on physicians'

Orthopedics, the treatment of injuries to the muscles and bones, is involved in two-thirds of worker compensation injuries and 90% of the costs, according to HCX executives. Back injuries alone account for 25% of the cases and up to 50% of the costs.

HCX founder Dr. Henry Feffer often asks patients who have undergone back surgery how they have felt since the operation. While 40% report feeling better, the remaining 60% are experiencing some degree of continued back pain.

"With a 40% hit rate, something is wrong," said Jack Dugan, HCX spokesman.

There are 20 times the number of spinal fusions in the U.S. than in the rest of the world. And a patient in Los Angeles is twice as likely to have back surgery than a patient in Boston, Dugan said

"It's the standing army problem," Dugan said. In addition to general practitioners, interns, chiropractors and neurosurgeons, there are 14,000 board-certified orthopedic surgeons available in the U.S. "The more surgeons there are, the more operations" are going to be performed, said Rick Cotton, HCX president.

"We ride herd on physicians" to reduce these sometimes unneeded surgeries, Dugan said. HCX provides a medical monitoring service to check diagnoses against the latest standard medical practices. The process can forestall unneeded surgery, or lead to a recommendation of surgery in cases where the procedure is warranted.

WORKERS' COMP UNDERWRITING EXPERIENCE IN 1987.*

STATE	GAIN (Loss)
FLORIDA	(157,492,384)
MAINE	(155,340,991)
LOUISIANA	(139,805,118)
MASSACHUSETTS	(124,648,832)
ILLINOIS	(81,409,916)
GEORGIA	(54,837,369)
MISSOURI	(54,387,920)
TENNESSEE	(49,453,694)
RHODE ISLAND	(48,229,762)
MICHIGAN	(32,217,778)
CONNECTICUT	(31,172,490)
ALABAMA	(30,227,590)
IOWA	(28,766,551)
ARKANSAS	(28,016,929)
KENTUCKY	(28,015,851)
KANSAS	(27,708,894)
NEW MEXICO	(27,281,106)
SOUTH CAROLINA	(24,704,621)
VIRGINIA	(23,990,724)
NEW JERSEY	(22,734,047)
NORTH CAROLINA	(15,055,675)
OREGON	(13,686,670)
INDIANA	(11,675,263)
NEBRASKA	(8,324,578)
MISSISSIPPI	(7,071,098)
SOUTH DAKOTA	(6,841,298)
VERMONT	(5,114,198)
DISTRICT OF COLUMBIA	(4,528,328)
ALASKA	(3,781,728)
NEW HAMPSHIRE	(3,247,716)
HAWAII	(2,526,488)
ARIZONA	(2,436,214)
DELAWARE	1,478,187
COUNTRYWIDE TOTAL	(1,253,052,654)

*1982 was the only profit year over past 10 years for workers' compensation insurers.

age hours of compensated leave fell from 185 to 109. The average compensation payments and medical costs also fell in both states.

Unlike general health care, workers' compensation is mandated by law. Self-insured employers are responsible for medical payments, salary, impairment awards and legal costs for each on-the-job injury. Premiums for employers with traditional compensation insurance coverage also are based on these costs.

By reducing risk, treatment-monitoring systems can save trucking companies money. Though fees may vary, firms pay $10 to $14 per employee for the monitoring service and periodic reports. The programs also can help employees return to work quicker, and perhaps ensure better health care for the injured worker.

"We are not a cost-containment firm," Dugan said. Those services typically audit and monitor patient billing for accuracy, and review the length of time a patient plans to stay in a hospital.

"We do not pitch cost-containment, we pitch quality of care," Dugan said.

HCX has built a network of 1,000 physicians who are available for second opinions when symptoms, diagnoses, treatment and response do not fall into the parameters established by the firm.

In 80% of these cases, no second opinion is required. In the remaining 20%, an injured worker is asked to visit a physician in the HCX network. In 85% of these referrals, the HCX physician finds an incorrect diagnosis or treatment, or determines that a patient is not following prescribed treatment.

"We're looking for undertreatment as well as overtreatment," Dugan said.

Most patients are monitored for six months, with the most benefit coming during the second and third months of treatment.

"We can make a substantial impact on the transportation industry," Dugan said. "It's a question of how we reach it." □

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